



DECEMBER 14, 2017

PROJECT NO: 16-102  
VIA US MAIL

**CERTIFIED MAIL NO. 7015 1520 0001 6043 0577**  
**RETURN RECEIPT REQUESTED**

Ms. Carol Stein  
U.S. Environmental Protection Agency – Region 2  
290 Broadway  
New York, NY 10007-1866

**CERTIFIED MAIL NO. 7015 1520 0001 6043 0607**  
**RETURN RECEIPT REQUESTED**

Ms. Dawn Henry, Esq.  
Virgin Islands Department of Planning and Natural  
Resources  
45 Mars Hill  
Frederiksted, VI 00840

**CERTIFIED MAIL NO. 7015 1520 0001 6043 0591**  
**RETURN RECEIPT REQUESTED**

Mr. Donald G. Frankel  
Senior Counsel  
Environmental Enforcement Section  
Department of Justice  
One Gateway Center  
Suite 616  
Newton, MA 02458

**CERTIFIED MAIL NO. 7015 1520 0001 6043 0614**  
**RETURN RECEIPT REQUESTED**

Claude Walker, ESQ.  
Attorney General  
Department of Justice  
Office of the Attorney General  
334-38 Kronprindsens Gade  
GERS Building, 2nd Floor  
St. Thomas, Virgin Islands 00802

**RE: Proposed 2018 Budget**  
**Bankruptcy Case No. 1: 15-bk-10003-MFW; EPA ID No. VID980536080**

Dear Ms. Stein, Ms. Henry, Mr. Frankel, Mr. Walker:

The HOVENSA Environmental Response Trust (ERT) has completed an estimated budget for 2018 in accordance with Section 3.2 of the February 17, 2016 ERT Agreement. This estimated budget is built upon known costs from the ERT's routine operating expenses. As per the ERT Agreement, additional Agency approval is required for any deviation by more than ten percent of the agreed upon budget.

Funding for the ERT is provided by four different sources: 1) Accounts established by the ERT ("ERT Accounts"); 2) Two RCRA Financial Assurance (FA) Trusts administered by the EPA ("RCRA FA Trusts"); 3) Up to thirty million dollars provided by Limetree Bay Terminals, LLC ("Limetree") as per the January 4, 2016 Asset Purchase Agreement; and 4) An Escrow Account established specifically to fund the Virgin Islands Territorial Supplemental Environmental Project (TSEP) as per the terms of the Consent Decree (Case No. 1:11-cv-00006). Estimated 2018 expenditures for each funding source are summarized below and details are provided in the enclosed **Table 1**.

## HOVENSA Environmental Response Trust

Ms. Stein, Ms. Henry, Mr. Frankel, Mr. Walker  
US EPA, VI DPNR, US DOJ, VI AG

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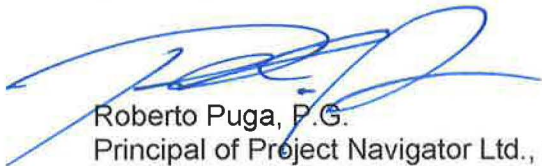
| Funding Source | 2018 Estimated Expenditures | Available Funding         | Funding Intent                                     |
|----------------|-----------------------------|---------------------------|--|
| ERT Accounts   | \$872,898                   | \$3,971,642               | Working accounts for the ERT                       |
| RCRA FA Trusts | \$4,542,200                 | \$36,561,000 <sup>1</sup> | As specified for designated SWMUs and AOCs         |
| Limetree       | \$2,999,404                 | \$22,877,668 <sup>2</sup> | For ERT expenses not covered by the RCRA FA Trusts |
| CD Escrow      | \$4,875,000                 | \$4,875,000 <sup>3</sup>  | Solely for the VI TSEP                             |

We respectfully request written approval of the budget from each Agency as soon as possible to ensure continued compliance with the ERT Agreement. For your convenience, **Table 1** lists each of the line items in the Wind Down Cost Estimate and specifies which line item each Agency is required to approve as per section 7.13 of the ERT Agreement.

Please note the budget provided herein is for routine work activities at the Site and does not include the budget for Hurricane Maria recovery. The budget for Hurricane Maria recovery work was submitted under separate cover on November 6, 2017 and was approved by the United States Department of Justice (U.S. DOJ) via e-mail on November 15, 2017, and approved by the United States Environmental Protection Agency (U.S. EPA) in a letter dated December 1, 2017. The Virgin Islands Attorney General (VI AG) approval of the Hurricane Maria budget is pending.

We are available to meet with each Agency individually or collectively to discuss the 2018 estimated budget. If additional information is required, please contact Carey Guilbeau at (340) 692-3179.

Sincerely,



Roberto Puga, P.G.  
Principal of Project Navigator Ltd., solely in its capacity as Trustee for the HOVENSA Environmental Response Trust

Enclosure

cc: Ms. Amy Chester, EPA Region 2 (Chester.Amy@epa.gov)  
Mr. William Sawyer, EPA Region 2 (Sawyer.William@epa.gov)  
Ms. Flaire Mills, EPA Region 2 (Mills.Flaire@epa.gov)

<sup>1</sup> To date, there have been no disbursements from the RCRA Financial Assurance Trusts.

<sup>2</sup> To date, the ERT has invoiced Limetree Bay Terminals, LLC a total of \$7,122,332.00 leaving a balance of \$22,877,668 available. Of the amount invoiced to date, \$1,979,380.00 was invoiced to cover expenses for work completed in the units covered by the RCRA Financial Assurance Trust. As per the ERT Agreement, when EPA releases funds from the RCRA Financial Assurance Trust \$1,979,380.00 must be returned to Limetree Bay Terminals and the amount of funds available to the ERT will increase accordingly.

<sup>3</sup> To date, there have been no disbursements from the Consent Decree Escrow Account and it is understood that the funds in this Escrow Account are to be utilized by DPNR at their discretion and in accordance with the terms of the Consent Decree.

## HOVENSA Environmental Response Trust

Ms. Stein, Ms. Henry, Mr. Frankel, Mr. Walker  
US EPA, VI DPNR, US DOJ, VI AG

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Mr. Nidal Azzam, EPA Region 2 (Azzam.Nidal@epa.gov)  
Mr. Adolph Everett, EPA Region 2 (Everett.Adolph@epa.gov)  
Mr. Jim Casey, EPA Region 2 (Casey.Jim@epa.gov)  
Mr. Norman Williams, VIDPNR (Norman.Williams@dpnr.vi.gov)  
Mr. Syed Syedali, VIDPNR (Syed.Syedali@dpnr.vi.gov)  
Mr. Benjamin Keularts, VIDPNR (Benjamin.Keularts@dpnr.vi.gov)  
Mr. Kenneth Milligan, VIDPNR (Kenneth.Milligan@dpnr.vi.gov)  
Ms. Mary Koks, Munsch Hardt Kopf & Harr (MKoks@munsch.com)  
Mr. David Bennett, GES (DBennett@GESonline.com)

Section Chief  
Environmental Enforcement Section  
Environment and Natural Resources Division  
U.S. Department of Justice  
P.O. Box 7611  
Ben Franklin Station  
Washington, DC 20044-7611  
Ref: DOJ No. 90-5-2-1-08229/2

Chief, Special Projects Branch  
Emergency and Remedial Response Division  
EPA Region 2  
290 Broadway  
New York, NY 10007

Chief, Waste and Toxic Substances Branch  
Office of Regional Counsel  
EPA Region 2  
290 Broadway  
New York, NY 10007

Chief, Hazardous Waste Programs Branch  
Clean Air and Sustainability Division  
EPA Region 2  
290 Broadway  
New York, NY 10007

Table 1. HOVENSA Environmental Response Trust 2018 Budget

DRAFT

Last Update: 12/13/17

| Approval Authority                 | ERT Account    | ERT Agreement<br>Wind Down Estimate Line Items |   | Funding Source       |                      |                |                |                                 |                      |                        |                        |                      |                      |                      |                      | 2018 Totals  |                          |             |                     | Consent Decree Escrow |
|------------------------------------|----------------|--|---|----------------------|----------------------|----------------|----------------|---------------------------------|----------------------|------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|--------------|--------------------------|-------------|---------------------|-----------------------|
|                                    |                |  |   | ERT Account          |                      |                |                | RCRA Financial Assurance Trusts |                      |                        |                        | Limetree             |                      |                      |                      | ERT Accounts | RCRA Financial Assurance | Limetree    | All Funding Sources |                       |
|                                    |                |  |   | Q1 2018              | Q2 2018              | Q3 2018        | Q4 2018        | Q1 2018                         | Q2 2018              | Q3 2018                | Q4 2018                | Q1 2018              | Q2 2018              | Q3 2018              | Q4 2018              |              |                          |             |                     |                       |
| EPA                                | Remediation    | 1  | PRPP - OWS Testing & Repair <sup>3</sup>  |                      |                      |                |                |                                 |                      |                        |                        | \$44,250             | \$44,250             | \$44,250             | \$44,250             |              |                          | \$177,000   | \$177,000           |                       |
| EPA                                | Remediation    | 2  | Scrap Metal / Recycle Yard Management   |                      |                      |                |                |                                 |                      |                        |                        | \$465,000            | \$465,000            | \$465,000            | \$465,000            |              |                          | \$1,860,000 | \$1,860,000         |                       |
| EPA                                | Remediation    | 3  | Asbestos Landfill   |                      |                      |                |                |                                 |                      |                        |                        |                      |                      |                      |                      |              |                          |             | \$0                 |                       |
| EPA                                | Remediation    | 4  | Corrective Action / Remediation / Hydrocarbon Recovery  |                      |                      |                |                | \$420,000                       | \$420,000            | \$420,000              | \$420,000              | \$149,000            | \$149,000            | \$149,000            | \$149,000            |              | \$1,680,000              | \$596,000   | \$2,276,000         |                       |
| EPA                                | Remediation    | 5  | Landfarm 1 Post-Closure   |                      |                      |                |                | \$14,050                        | \$14,050             | \$14,050               | \$14,050               |                      |                      |                      |                      |              | \$56,200                 |             | \$56,200            |                       |
| EPA                                | Remediation    | 6  | Landfarm 2 & 3 / RCRA Permit  | \$ 252,000           | \$197,000            |                |                |                                 |                      | \$353,000              | \$353,000              |                      |                      |                      |                      | \$449,000    | \$706,000                |             | \$1,155,000         |                       |
| DPNR                               | Remediation    | 7  | TPDES   |                      |                      |                |                |                                 |                      |                        |                        |                      |                      |                      |                      |              |                          |             | \$0                 |                       |
| EPA                                | Remediation    | 8  | WWT (Primary & Secondary) <sup>4</sup>  |                      |                      |                |                | \$525,000                       | \$525,000            | \$525,000              | \$525,000              |                      |                      |                      |                      |              | \$2,100,000              |             | \$2,100,000         |                       |
| US/VI <sup>1</sup>                 | Administrative | 9  | Data & Records Management & Retention   |                      |                      |                |                |                                 |                      |                        |                        | \$30,000             | \$30,000             |                      |                      |              |                          | \$ 60,000   | \$60,000            |                       |
| DPNR                               | Remediation    | 10a  | Consent Decree - VI TSEP <sup>2</sup>   |                      |                      |                |                |                                 |                      |                        |                        |                      |                      |                      |                      |              |                          |             | \$0                 | \$4,875,000           |
| EPA                                |                | 10b  | Consent Decree - WAPA Project <sup>2</sup>  | \$423,898            |                      |                |                |                                 |                      |                        |                        |                      |                      |                      |                      | \$423,898    |                          |             | \$423,898           |                       |
| DPNR                               | Remediation    | Line 11  | Air Permitting / Title V  |                      |                      |                |                |                                 |                      |                        |                        |                      |                      |                      |                      |              |                          |             | \$0                 |                       |
| EPA                                | Remediation    | Lines 12 - 24                                  | Tier II, TRI / El, TSCA, BWON, GHGs, CEMs, Boiler MACT, LDAR, Refinery MACTs, Regional Haze, SO2 non-attainment, SOCMH-HON, Tank Requirements |                      |                      |                |                |                                 |                      |                        |                        |                      |                      |                      |                      |              |                          |             | \$0                 |                       |
| EPA / DPNR                         | Remediation    | Line 25  | Potable Water / SDWA  |                      |                      |                |                |                                 |                      |                        |                        |                      |                      |                      |                      |              |                          |             | \$0                 |                       |
| US/VI <sup>1</sup>                 | Administrative | 26   | Utilities: Electric   |                      |                      |                |                |                                 |                      |                        |                        |                      |                      |                      |                      |              |                          |             | \$0                 |                       |
| US/VI <sup>1</sup>                 | Administrative | 27   | Utilities: Compressed Air & Water <sup>3</sup>  |                      |                      |                |                |                                 |                      |                        |                        | \$12,501             | \$12,501             | \$12,501             | \$12,501             |              |                          | \$50,004    | \$50,004            |                       |
| US/VI <sup>1</sup>                 | Administrative | 28   | Security  |                      |                      |                |                |                                 |                      |                        |                        |                      |                      |                      |                      |              |                          |             | \$0                 |                       |
| US/VI <sup>1</sup>                 | Administrative | 29   | Business Operating Expenses   |                      |                      |                |                |                                 |                      |                        |                        | \$28,100             | \$28,100             | \$28,100             | \$28,100             |              |                          | \$112,400   | \$112,400           |                       |
| DPNR                               | Remediation    | 30   | PLL Insurance Premium   |                      |                      |                |                |                                 |                      |                        |                        |                      |                      |                      |                      |              |                          |             | \$0                 |                       |
| US/VI <sup>1,5</sup>               | Administrative | 31   | Fees for Trust and Trustee  |                      |                      |                |                |                                 |                      |                        |                        | \$36,000             | \$36,000             | \$36,000             | \$36,000             |              |                          | \$144,000   | \$144,000           |                       |
| DPNR                               | Remediation    | N/A  | Marine Impact Study   |                      |                      |                |                |                                 |                      |                        |                        |                      |                      |                      |                      |              |                          |             | \$0                 |                       |
| TOTALS                             |                |  |   | Q1 2018<br>\$675,898 | Q2 2018<br>\$197,000 | Q3 2018<br>\$0 | Q4 2018<br>\$0 | Q1 2018<br>\$959,050            | Q2 2018<br>\$959,050 | Q3 2018<br>\$1,312,050 | Q4 2018<br>\$1,312,050 | Q1 2018<br>\$764,851 | Q2 2018<br>\$764,851 | Q3 2018<br>\$734,851 | Q4 2018<br>\$734,851 | \$872,898    | \$4,542,200              | \$2,999,404 | \$8,414,502         | \$4,875,000           |
| 2018 ERT BUDGET (Excludes VI TSEP) |                |  |   |                      |                      |                |                |                                 |                      |                        |                        |                      |                      |                      |                      |              |                          |             | \$8,414,502         |                       |

Notes:

<sup>1</sup> This approval requirement (Section 7.13.5 of the ERT Agreement) is interpreted to mean the U.S. represented by U.S. DOJ and the VI represented by the Virgin Islands Attorney General.

<sup>2</sup> These expenditures are subject to the terms of the Consent Decree between HOVENSA, L.L.C. and the United States of America (Civil Action No. 1:11-cv-00006)

<sup>3</sup> The ERT is renegotiating these costs with Limetree Bay Terminals, LLC.

<sup>4</sup> The ERT is in the process of reviewing alternative options for WWT, including renegotiated prices with Limetree Bay Terminals, LLC.